LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Tuesday, May 26, 2015

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Genaro Arriagada
Nonresident Senior Fellow,
Inter-American Dialogue

Joyce Chang
Global Head of Emerging Markets
Research, JPMorgan Chase & Co.

W. Bowman Cutter
Former Partner,
E.M. Warburg Pincus

Dirk Donath
Senior Partner,
Catterton Aimara

Marlene Fernández
Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President, Boeing Latin America

Jon Huenemann
Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones
Co-chair, Manatt Jones
Global Strategies LLC

Craig A. Kelly
Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto
Director, U.S. Education
Finance Group

Nicolás Mariscal
Chairman,
Grupo Marhnos

Thomas F. McLarty III
President,
McLarty Associates

Carlos Paz-Soldan
Partner,
DTB Associates, LLP

Beatrice Rangel
Director,
AMLA Consulting LLC

José Antonio Ríos
Chief Executive Officer,
Vadium Technology Inc.

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty
Head, Latin America
Sovereign Ratings, Fitch Inc.

Roberto Sifon-Arevalo
Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

THEDIALOGUE

FEATURED Q&A

Why Is Bolivia Still Suing for Access to the Pacific Ocean?

Bolivian President Evo Morales paid tribute on Monday in Sucre to the 206th anniversary of the independence revolution from Spain, the Gesta Libertaria de América. // Photo: Government of Bolivia.

Q Bolivia went to the International Court of Justice on May 4 in its latest effort to force Chile to negotiate an outlet to the ocean for the landlocked country. Chilean officials have argued, however, that the matter was settled long ago and that the World Court does not have jurisdiction in the dispute. How is the case likely to play out? To what extent is Bolivia's economy being held back without sovereign access to the sea, and what would such access mean for it? What does Chile have to lose by granting Bolivia more access to the Pacific?

A Jaime Aparicio-Otero, former Bolivian ambassador to the United States: "According to a paper by Fabrizio Carmignani of Griffith University, Bolivia's GDP would be a fifth higher if it had kept its access to the sea. The success of the world's few rich landlocked countries offers little hope to poorer ones, and Bolivians believe that its landlocked condition explains why their country is the least developed in South America. The occupation of Bolivian Llitoral by Chile left a loss of 120,000 square kilometers of land and about 400 kilometers of seacoast. Bolivia lost the Atacama Desert, which is rich in minerals and the largest source of Chilean copper production today. That said, relations between Bolivia and Chile will remain unfriendly until both countries stop looking at the past and concentrate on the opportunities that lie ahead. Both countries can choose to deepen integration and trade. Granting Bolivia sovereign access to the Pacific would pave the way for economic complementation, integration and trade between both coun-

Continued on page 2

TODAY'S NEWS

POLITICAL

Brazil Prison Riot Ends with Eight Inmates Killed

A prison riot that broke out over the weekend in Bahia, a state in eastern Brazil, ended Monday with eight inmates slain and five injured. About 70 people being held hostage were freed unharmed.

Page 2

POLITICAL

Mexican Officials Stand By Police

Mexican officials on Monday publicly stood by their account of a shootout that killed 42 suspected criminals and one federal police officer last Friday. Questions have been raised in the media about the lopsided death toll.

Page 2

POLITICAL

Jailed Opposition Leaders Begin Hunger Strike

Venezuelan opposition leaders Leopoldo López and Daniel Ceballos, imprisoned for more than a year on charges related to street protests that turned deadly in early 2014, have started a hunger strike.

Page 2

López declared the hunger strike in a video from his prison cell. // Image: Screen grab from YouTube video.

COPYRIGHT © 2015, INTER-AMERICAN DIALOGUE

POLITICAL NEWS

Brazil Prison Riot Ends with Eight Inmates Killed

A prison riot that broke out over the weekend in Bahia, a state in eastern Brazil, ended Monday with eight inmates slain and five injured, EFE reported. About 70 people being held hostage were freed unharmed, according to the report. The riot erupted Sunday when a group of inmates seized family members, including women and children, after they had visited imprisoned relatives. Prison director Cleriston Leite told reporters that the riot was sparked by a dispute between rival criminal gangs following the deaths of two ringleaders. The jail currently holds 1,467 prisoners, though it was designed with a capacity for only 644 inmates. Last August, four people were killed and two of those beheaded in a prison uprising in Cascavel, a city in Brazil's southern Paraná state, Agência Brasil reported. Authorities in that riot initially suggested infighting between prisoner gang factions could have started the incident, but media reports suggest the inmates had also complained about the prison's management, citing poor nutrition and visitation rights. A lawyer for the prison guards' union told local media that the inmates put the decapitated head of one of the victims in the lap of a guard who was later released, the Associated Press reported. Even in booming economic times Brazil's prisons faced overcrowding and difficult conditions for both inmates and administrators. Advocates for prisoners' rights worry harder economic times could exacerbate existing problems.

The jail currently holds 1,467 prisoners, though it was designed with a capacity for only 644.

Mexican Authorities Deny Suggestions of Police Executions

Mexican officials on Monday publicly stood by their account of a shootout that killed 42 suspected criminals and one federal police officer last Friday, The Guardian reported. Questions have been raised in the media about the lopsided death toll. "There was not one single execution, I can say that categorically," Enrique Galindo, head of Mexico's federal police, told

FEATURED Q&A / Continued from page 1

tries. Bolivia and Chile would benefit from an arrangement that gives Bolivia access to the ocean and provides Chile access to Bolivian gas, mining and agricultural businesses as well as water. Meanwhile, in terms of this court case, Chile requested the International Court of Justice (ICJ) to adjudicate and declare that the claim brought by Bolivia against Chile is not within the jurisdiction of the court. Chile argues that the ICJ has no jurisdiction over the case under the American Treaty on Pacific Settlement ('Pact of Bogotá'), which excludes from the competence of the court matters already settled by accords in force on the date of conclusion of the treaty in 1948. Bolivia requested that the ICJ reject Chile's objection to the court's jurisdiction on the grounds that Bolivia's claim is separate from the 1904 treaty and arises from official promises of negotiation made by Chile after 1948. Before the end of the year, the ICJ is going to decide the question of jurisdiction. So far, most of the time that countries have filed preliminary objections, the court has preferred to rule on them when they adopt the final decision."

Sergio Bitar, former Senator representing Chile's northern region that borders Peru and Bolivia and author of *Un Futuro Común: Chile, Bolivia y Perú*: "Bolivia's claim of sovereign access to the Pacific Ocean is part of their national identity, and therefore

Continued on page 4

NEWS BRIEFS

Peru Mine Protester Killed in Clash With Police

A man supporting a week-long strike at an iron ore mine owned by China's Shougang Group in southern Peru was killed in clashes with police on Monday, Reuters reported. A union official said the man was shot dead by police who were firing pellets and live bullets at protesters in the town of San Juan de Marcona. The protesters were pressing Shougang to re-hire recently dismissed workers. Last week, Peru's government declared a state of emergency in the region, calling in national police and armed forces to maintain order as protests at the Tía María copper project, also in the south of Peru, led to deaths and injuries.

Venezuela: Imprisoned Opposition Leaders Begin Hunger Strike

Jailed Venezuelan opposition leaders Leopoldo López and Daniel Ceballos over the weekend started a hunger strike, El Universal reported Monday. López is accused of inciting violence in February 2014 that led to the deaths of 40 people on both sides of the political divide, while Ceballos, the mayor of Mayor of San Cristóbal, was arrested in March 2014 for refusing orders to remove protesters' barricades during demonstrations in his city. Ceballos has served his one-year sentence but remains in prison pending other charges.

Argentina's YPF Finds Oil in Río Negro Province

Argentine state oil company YPF said Monday it found a conventional oil field in Río Negro province in southern Argentina, EFE reported. The Manzano Grande x-1 well holds about 40 million barrels of petroleum. YPF produced about 89 million barrels of petroleum equivalent in 2014. YPF posted profit of $239 million in the January to March period this year, Reuters reported recently.

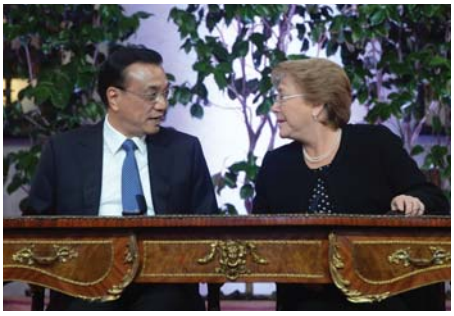
COPYRIGHT © 2015, INTER-AMERICAN DIALOGUE

local media. Forty-two men died Friday during a three-hour gun battle on a ranch in the western state of Michoacán when police officers came under fire while responding to a report of armed men taking over the Rancho del Sol, in Ecuandureo, a township near the border with Jalisco state. The governor of Michoacán, Salvador Jara Guerrero, has called off classes in local schools, affecting nearly 6,000 students until at least Wednesday, El Universal reported.

ECONOMIC NEWS

Chile, China Sign 10 Agreements to Boost Trade, Finance

Chilean President Michelle Bachelet and China's premier, Li Keqiang, on Monday signed 10 cooperation agreements in Santiago covering trade, finance, science and the economy, EFE reported. In an effort to boost trade ties, Chile's central bank entered into a three-year currency swap with the People's Bank of China, and the two governments are clearing a path for the use of the Chinese yuan in the South American country, Reuters reported. China is looking to set up a yuan clearing bank in Chile, which would be the first of its kind in South America, Li said in a presentation Monday. In another announcement, the leaders said that as of July 1, tourist visas between Chile and China will be free, La Tercera reported. The move is aimed at increasing tourism. Currently, about 11,000 Chinese visitors each year arrive in Chile, while about 10,000 Chileans travel to the Asian country annually. Chile and China have had diplomatic relations for 45 years, the longest of any country in South America. Chile is the last stop on Li's four-nation, week-long tour of South America.



Li and Bachelet // Photo: Government of Chile.

Colombia Looks to Infrastructure as Oil Prices Stay Low

Bancolombia, Colombia's largest bank by assets, is ready to finance up to $5 billion in infrastructure projects in the Andean country, bank president Carlos Raúl Yepes told Reuters in an interview Monday. Colombia's government is betting an $18 billion plan to modernize the country's inefficient highway system will boost exports in the face of a decline in government revenue due to the global drop in oil prices. Oil accounts for 5 percent of Colombia's gross domestic product and 16 percent of government revenue, Bloomberg News reported recently. Colombia's economy expended 4.6 percent in 2014, but is likely to slow to 3.6 percent this year. Projects to build roads, bridges and tunnels could add 1.5 percent to growth over the next six years, the government says. In addition, the finance ministry has said it expects a "peace dividend" of between 1 and 2 percent in new economic growth could be realized if talks between the government and FARC guerrillas succeed this year.

COMINGS & GOINGS

Marriott Names Sheldon to Lead Latin America

Maryland-based Marriott International on May 21 named Tim Sheldon, currently the company's global chief operations officer, as president of its Caribbean and Latin America (CALA) region, effective in June. He assumes responsibility for the region at a time when Marriott is looking to expand with 100 new hotels expected to open this year and plans to add another 50 across nine countries in the region by 2017. Marriott currently has 94 hotels in 24 countries or territories in the region under nine brands. Outgoing Latin America head Craig Smith will return to Hong Kong and become the managing director and president for the Asia-Pacific region, where he previously served as executive vice president and chief operations officer.

Bank of America Promotes Irigoyen

Bank of America has named Claudio Irigoyen, the current head of Latin American fixed-income and foreign-exchange strategy, to also be head of economics for the region, Bloomberg News reported May 18. His task is to "synchronize the efforts of our economists, fixed-income and FX strategists in the region with the goal of delivering a better integrated product," an internal memo said. Irigoyen has been at Bank of America since 2011 and previously worked at Deutsche Bank and as the director of monetary policy at Argentina's central bank. He will continue reporting to Alberto Ades, co-head of global economics and head of global emerging-markets fixed-income strategy.

Evertec Appoints New Latin America President

Puerto Rico-based EVERTEC, a transaction processing firm, announced May 6 that Mariana Lischner Goldvarg has been appointed president for Latin America, reporting to Mac Schuessler, the company's CEO. She comes to EVERTEC from Equifax Latin America, where she had been president since 2012. Prior to that, she held numerous positions at Citibank.

COPYRIGHT © 2015, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 2

understandable. But President Evo Morales has made a major mistake in taking the issue to The Hague. Unilaterally objecting to a border agreement signed more than 100 years ago, taking that objection to the International Court of Justice and asking that one party negotiate with a predetermined result (changing the treaty and transferring territory) has hardened public opinion in Chile. President Morales may have gained domestic support, but Chile views Bolivia's actions as adversarial. I think that the Bolivian initiative will postpone for years any relevant new negotiation. Historically, regular negotiations have produced important results for Bolivia and Chile. Bolivia has free access to the sea through different Chilean ports (at lower cost than Chilean companies) and manages its own customs. Roads and railroads have been improved, and trade preferences maintained. Resolving pending and new issues requires cooperation and time. Trying to accelerate may even lead to reversals. In my opinion, there are at least three preconditions for advancing negotiations on 'sovereign' access to the Pacific: a corridor to the sea has to be contiguous to the Chile-Peru border; Peru has to approve the measure, per the Chile-Peru treaty of 1929; and Bolivia has to provide Chile with territorial compensation. Those conditions have never been met before. There is no real solution through courts; the only solution is a bilateral negotiation, but one undertaken in consultation with Peru, whose agreement is needed (a trilateral framework). Once the current judicial conflict is over, a new effort will be needed to develop a collaborative strategy for political, economic, social and cultural integration for the 21st century."

> **"It is political suicide for a Chilean president to give any concessions to Bolivia."**
>
> **— Peter Siavelis**

Peter M. Siavelis, director of the Latin American and Latino Studies Program at Wake Forest University: "Bolivia brought Chile to The Hague to demand that Chile negotiate in 'good faith' the outstanding issues surrounding its sovereign access to the Pacific. Chile counters that Bolivia's case should never have been presented at The Hague in the first place because the ICJ lacks jurisdiction. For Chile, the modern borders between the two countries were definitively established by the 1904 treaty that followed the 1879-1883 War of the Pacific, which left Bolivia a landlocked country. Chile charges that the Bolivian legal actions represent an attempt to renegotiate a treaty that settled this border dispute over a century ago. While lack of sea access has negatively affected Bolivia's economic development and trade capacity, Chile correctly notes that it has been generous in providing a trade corridor where Bolivian exporters are responsible for transport costs but are exempt from Chilean tariffs. The Bolivian case was inspired by a recent ICJ court decision that granted Peru a large swath of Chile's territorial waters. The generally conservative court is unlikely, however, to take any decision that will shift longstanding international terrestrial borders. Political considerations in each country are really at play in the legal dispute. For its part, Chile will cede nothing, as it is political suicide for a Chilean president to give any concessions to Bolivia, given Chilean nationalism and the long-term animosity generated by the simmering conflict. On the Bolivian side, President Evo Morales is aware that a decision favoring Bolivia is doubtful, and his complaint likely represents an effort to stem declining popularity at home. What better way to shore up support at home than an internationally high-profile anti-Chilean nationalist pitch?"

Editor's note: The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

LATIN AMERICA ADVISOR
is published every business day by the Inter-American Dialogue, Copyright © 2015

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Megan Cook
Reporter, Assistant Editor
mcook@thedialogue.org

THEDIALOGUE

Michael Shifter, President
Peter Hakim, President Emeritus
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Maria Darie, Director, Finance & Administration
Ariel Fiszbein, Director, Education Program
Claudio Loser, Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, China and Latin America Program
Manuel Orozco, Senior Fellow
Jeffrey Puryear, Senior Fellow
Lisa Viscidi, Director, Energy Program

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at:

1211 Connecticut Avenue NW, Suite 510
Washington, DC 20036

Phone: 202-822-9002
Fax: 202-822-9553

www.thedialogue.org

ISSN 2163-7962

Subscription Inquiries are welcomed at freetrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.